

SUPPLEMENTAL PACKET

COMMISSION MEETING

JUNE 13, 2017

**TEXAS RACING COMMISSION
COMMITTEE ON RULES**

Date of Request: June 12, 2017

***Request for Proposed Change to an Existing Rule or
Addition of a New Rule to the Rules of Racing***

Please submit this information to the attention of the Executive Director *at least 14 days* in advance of the next scheduled Committee on Rules meeting. An electronic form is available to assist in your submission or feel free to add additional pages as necessary in order to provide as much detail as possible. Filing this request does not guarantee that your proposal will be considered by the Committee on Rules.

Texas Racing Commission
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Contact Information:

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Check appropriate box(es):

Personal Submission *OR*

Submission on Behalf of Texas Racing Commission
(Name of Organization)

Proposed Change to (if known): Chapter: 309 Rule: 8

Proposed Addition to (if known): Chapter: 311 Rule: 5

Other Rules Affected by Proposal (if any): Chapter: _____ Rule: _____

Chapter: _____ Rule: _____

Chapter: _____ Rule: _____

Chapter: _____ Rule: _____

Statutory Authority for Proposed Change: TRA §§5.01, 6.18, 7.05

A. Brief Description of the Issue

The Commission faces a budget shortfall of approximately \$690,000 during FY 2018 and again in FY2019, meaning that the agency cannot currently fund its operations through the next biennium.

B. Discussion of the Issue and Problem

The shortfall is the result of the loss of \$690,000 in annual fees from the three Class 2 horse racetracks that recently turned in their licenses. Even with the FY 2017 one time-supplemental fee of \$181,485, the agency will run out of money in early FY 2017 unless it also executes some combination of fee increases and cost reductions that total \$690,000. This situation is shown on the chart on page 4 of this supplemental packet. It starts with a carryforward of approximately \$100,000 after collection of the supplemental fee and assumes that no other changes in revenue or expenses are made, which leaves the agency with a net deficit of \$586,322 at the end of FY 2018.

C. Possible Solutions and Impact

After closely inspecting the agency's budget, staff has been able to identify \$140,000 in operational cuts, leaving an annual deficit of \$550,000. After discussion with the Chairman, staff has prepared a proposal that increases both racetrack and occupational license fees by 15%, which will raise \$500,000 in additional revenue from racetrack licenses and \$75,000 in additional revenue from occupational licenses. This calculation depends upon the number of racetrack and occupational licenses remaining stable.

The chart on page 5 of this supplemental packet also starts with a carry forward of approximately \$100,000 after collection of the supplemental fee. However, it reduces the expenses by \$140,000 and increases fees by \$550,000, leaving the agency with a positive cash balance of approximately \$129,500 at the end of FY 2018. On page 6 is an FY 2018 Race Day Estimates and Fees document that shows the result of increasing racetrack and occupational license fees by 15%.

The industry has identified several additional areas of potential savings, and staff has agreed to research those ideas and implement them where appropriate. Staff has agreed to meet with the industry during July to discuss progress. If these additional savings can be achieved, the executive director can return those savings to the racetrack licensees by imposing a full or partial moratorium on further fee collection at any time during the year.

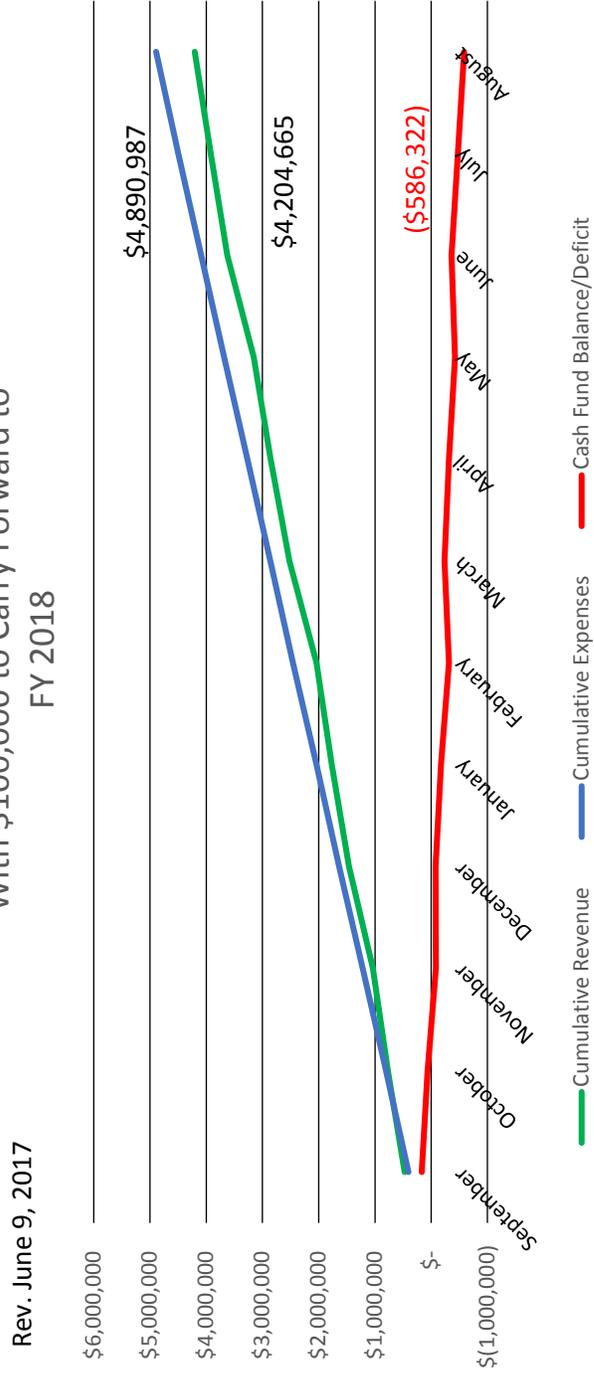
D. Support or Opposition

The industry opposes any fee increases and points out that it is already in financial distress.

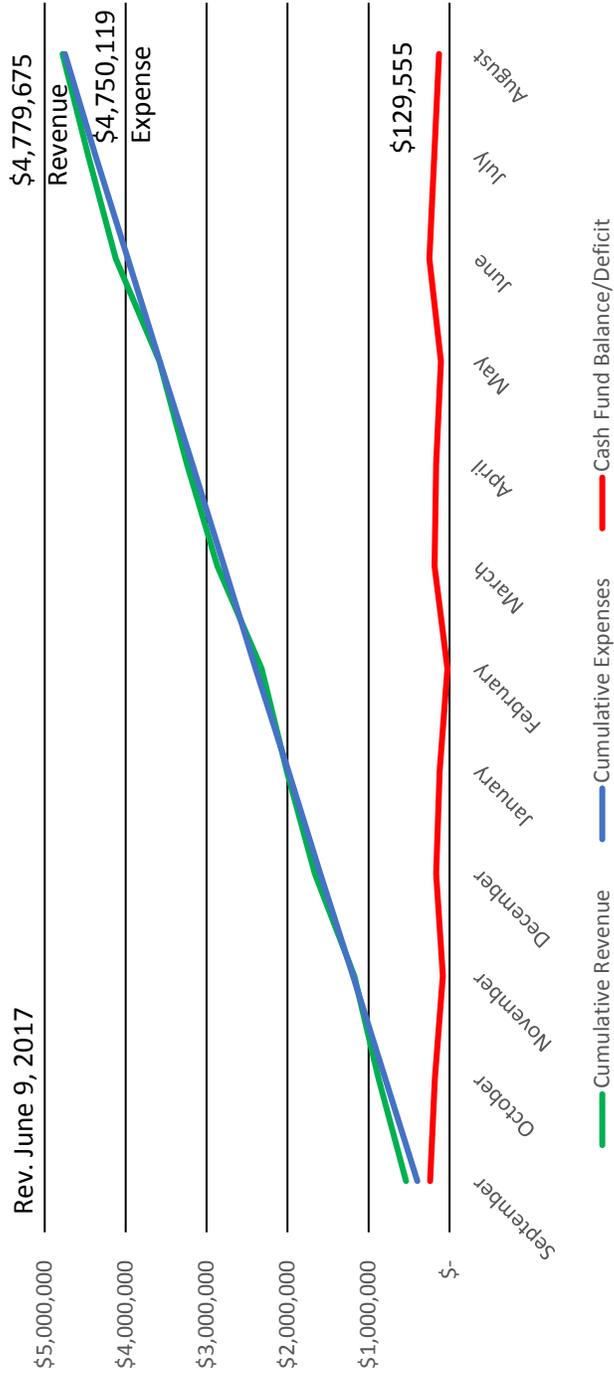
E. Proposal

See pages 7 through 9 of this supplemental packet.

Racing Commission
Projected Cash Flow
With \$100,000 to Carry Forward to
FY 2018



Racing Commission
Projected Cash Flow
Revised Fee Schedule and Reduced Expenditures
FY 2018



FY 2018 Race Day Estimates and Fees

	<u>Number of Race Days</u>	<u>Race Day Base</u>	<u>Days Beyond Base at \$3,750 Per Day</u>
Horse Racetracks:			
Lone Star Park	76	45	31
Retama Park	46	45	1
Sam Houston Race Park	56	45	11
Gillespie County Fair	8	8	-
Totals	186		
Greyhound Racetracks:			
Gulf Greyhound Park	36		
Gulf Coast Racing	-		
Valley Race Park	-		
Totals	36		

Proportional Fee Increase

	<u>Current</u>	<u>Proportional Increase</u>	<u>Days Beyond Base</u>	<u>Total</u>	<u>Increase per payment period</u>
Class 1 Horse Racetracks:					
Lone Star Park	\$ 500,000	\$ 74,850	\$ 116,250	\$ 691,100	\$ 6,238
Retama Park	500,000	74,850	3,750	578,600	6,238
Sam Houston Race Park	500,000	74,850	41,250	616,100	6,238
Sub-Total	\$ 1,500,000	\$ 224,551	\$ 161,250	\$ 1,885,801	\$ 18,713
Class 2 Horse Racetracks:*					
Laredo Downs	\$ 230,000	\$ 34,431	-	\$ 264,431	\$ 8,608
Manor Downs	230,000	34,431	-	264,431	8,608
Valle de los Tesoros	230,000	34,431	-	264,431	8,608
Sub-Total	\$ 690,000	\$ 103,293	\$ -	\$ 793,293	\$ 25,823
Class 3 or 4 Horse Racetracks:					
Gillespie County Fair	\$ 70,000	\$ 10,479	-	\$ 80,479	\$ 873
Sub-Total	\$ 70,000	\$ 10,479	\$ -	\$ 80,479	\$ 873
HORSE TOTALS	\$ 2,260,000	\$ 338,323	\$ 161,250	\$ 2,759,573	
Greyhound Racetracks:					
Gulf Greyhound Park	\$ 360,000	\$ 53,892	-	\$ 413,892	\$ 4,491
Gulf Coast Racing	360,000	53,892	-	413,892	4,491
Valley Race Park	360,000	53,892	-	413,892	4,491
GREYHOUND TOTALS	\$ 1,080,000	\$ 161,677	\$ -	\$ 1,241,677	\$ 13,473
Total Estimated Fees:	\$ 3,340,000	\$ 500,000	\$ 161,250	\$ 4,001,250	

1 **309.8. Racetrack License Fees**

2 (a) (No change.)

3 (b) Annual License Fee.

4 (1) A licensed racing association shall pay an annual
5 license fee. The annual license fee for each license type is as
6 follows:

7 (A) for a Class 1 racetrack, \$574,850 [~~\$500,000~~];

8 (B) for a Class 2 racetrack, \$264,431 [~~\$230,000~~];

9 (C) for a Class 3 or 4 racetrack, \$80,479 [~~\$70,000~~];

10 and

11 (D) for a Greyhound racetrack, \$413,892 [~~\$360,000~~].

12 (2) (No change.)

13 (3) (No change.)

14 (c) Adjustment of Fees.

15 (1) (No change

16 (2) (No change.)

17 (3) If the executive secretary determines that the total
18 revenue from the annual fees exceeds the amount needed to pay
19 those costs, the executive secretary may order a moratorium on
20 all or part of the annual license fees remitted [~~monthly~~] by any
21 or all of the associations. Before entering a moratorium order,
22 the executive secretary shall develop a formula for providing
23 the moratorium in an equitable manner among the associations. In
24 developing the formula, the executive secretary shall consider
25 the amount of excess revenue received by the Commission, the
26 source of the revenue, the Commission's costs associated with
27 regulating each association, the Commission's projected receipts
28 for the next fiscal year, and the Commission's projected
29 expenses during the next fiscal year.

1 **Sec 311.5 License Fees**

2 (a)-(c) (No change.)

3 (d) The fee for an occupational license is as follows:

4	Type of License	1 Year Fee	2 Year Fee	3 Year Fee
5	Adoption Program Personnel	<u>\$28.75</u> [\$25]		
6	Announcer	<u>\$40.25</u> [\$35]		
7	Apprentice Jockey	<u>\$86.25</u> [\$75]		
8	Assistant Farrier/Plater/Blacksmith	<u>\$28.75</u> [\$25]		
9	Assistant Starter	<u>\$28.75</u> [\$25]		
10	Assistant Trainer	<u>\$115.00</u> [\$100]		
11	Assistant Trainer/Owner	<u>\$115.00</u> [\$100]		
12	Association Assistant Management	<u>\$57.50</u> [\$50]		
13	Association Management Personnel	<u>\$86.25</u> [\$75]		
14	Association Officer/Director	<u>\$115.00</u> [\$100]		
15	Association Other	<u>\$86.25</u> [\$75]		
16	Association Staff	<u>\$40.25</u> [\$35]		
17	Association Veterinarian	<u>\$86.25</u> [\$75]		
18	Authorized Agent	<u>\$17.25</u> [\$15]		
19	Chaplain	<u>\$28.75</u> [\$25]		
20	Chaplain Assistant	<u>\$28.75</u> [\$25]		
21	Equine Dental Provider	<u>\$115.00</u> [\$100]		
22	Exercise Rider	<u>\$28.75</u> [\$25]		
23	Farrier/Plater/Blacksmith	<u>\$86.25</u> [\$75]		
24	Groom/Exercise Rider	<u>\$28.75</u>		
25	Groom/Hot Walker	<u>\$28.75</u>		
26	Groom/Pony Person	<u>\$28.75</u>		
27	Jockey	<u>\$115.00</u> [\$100]	<u>\$230.00</u> [\$200]	<u>\$345.00</u> [\$300]
28	Jockey Agent	<u>\$115.00</u> [\$100]		
29	Kennel	<u>\$86.25</u> [\$75]		
30	Kennel Helper	<u>\$28.75</u> [\$25]		
31	Kennel Owner	<u>\$115.00</u> [\$100]	<u>\$230.00</u> [\$200]	<u>\$345.00</u> [\$300]

1	Kennel Owner/Owner	<u>\$115.00</u> [\$100]	<u>\$230.00</u> [\$200]	<u>\$345.00</u> [\$300]
2	Kennel Owner/Owner-Trainer	<u>\$115.00</u> [\$100]	<u>\$230.00</u> [\$200]	<u>\$345.00</u> [\$300]
3	Kennel Owner/Trainer	<u>\$115.00</u> [\$100]	<u>\$230.00</u> [\$200]	<u>\$345.00</u> [\$300]
4	Lead-Out	<u>\$28.75</u> [\$25]		
5	Maintenance	<u>\$40.25</u> [\$35]		
6	Medical Staff	<u>\$40.25</u> [\$35]		
7	Miscellaneous	<u>\$28.75</u> [\$25]		
8	Multiple Owner	<u>\$40.25</u> [\$35]	<u>\$80.50</u> [\$70]	<u>\$120.75</u> [\$105]
9	Mutuel Clerk	<u>\$40.25</u> [\$35]		
10	Mutuel Other	<u>\$40.25</u> [\$35]		
11	Owner	<u>\$115.00</u> [\$100]	<u>\$230.00</u> [\$200]	<u>\$345.00</u> [\$300]
12	Owner-Trainer	<u>\$115.00</u> [\$100]	<u>\$230.00</u> [\$200]	<u>\$345.00</u> [\$300]
13	Pony Person	<u>\$28.75</u> [\$25]		
14	Racing Industry Representative	<u>\$115.00</u> [\$100]		
15	Racing Industry Staff	<u>\$34.50</u> [\$30]		
16	Racing Official	<u>\$57.50</u> [\$50]		
17	Security Officer	<u>\$34.50</u> [\$30]		
18	Stable Foreman	<u>\$57.50</u> [\$50]		
19	Tattooer	<u>\$115.00</u> [\$100]		
20	Test Technician	<u>\$28.75</u> [\$25]		
21	Trainer	<u>\$115.00</u> [\$100]	<u>\$230.00</u> [\$200]	<u>\$345.00</u> [\$300]
22	Training Facility Employee	<u>\$34.50</u> [\$30]		
23	Training Facility General Manager	<u>\$57.50</u> [\$50]		
24	Valet	<u>\$28.75</u> [\$25]		
25	Vendor Concessionaire	<u>\$115.00</u> [\$100]		
26	Vendor/Concessionaire Employee	<u>\$34.50</u> [\$30]		
27	Vendor/Totalisator	<u>\$550/\$600</u> [\$500]		
28	Vendor/Totalisator Employee	<u>\$57.50</u> [\$50]		
29	Veterinarian	<u>\$115.00</u> [\$100]	<u>\$230.00</u> [\$200]	<u>\$345.00</u> [\$300]
30	Veterinarian Assistant	<u>\$34.50</u> [\$30]		